

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 IO-11 AF-06 ARA-06 EA-07 EUR-12 NEA-10

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FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00

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INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LONDON

AMEMBASSY OTTAWA

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PASS STR ELECTRICALLY

E.O. 11652: N/A

TAGS: GATT, ETRD, MTN

SUBJECT: GATT - GROUP OF 18 SECOND DAY

REF: GENEVA 1341, GENEVA 1354

SUMMARY: G-18 SESSION CONCLUDED WITH HALF DAY DIS-
CUSSION DEVOTED PRIMARILY TO "IMPROVEMENT OF GATT

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PROCEDURES AND FRAMEWORK." FOCUS WAS ENTIRELY ON THE

SO-CALLED BRAZILIAN PROPOSAL, WHICH WAS DESCRIBED IN CONSIDERABLE DETAIL BY AMBASSADOR MACIEL. PROPOSAL IS FAR REACHING, AND OFFERS MANY POTENTIAL DANGERS TO THE MULTILATERAL TRADE NEGOTIATIONS. IT WAS SUPPORTED BY MACIEL'S LDC COLLEAGUES, BUT GREETED WITH MUCH SKEPTICISM AND CONSIDERABLE OPPOSITION FROM THE DEVELOPED COUNTRIES. MACIEL HAS BEEN ASKED TO PREPARE A PAPER ON HIS PROPOSAL, TO BE CIRCULATED TO THE G-18 MEMBERS PRIOR TO THE GROUP'S NEXT MEETING JUNE 22-23. END OF SUMMARY.

1. DIRECTOR GENERAL LONG OPENED THE SECOND DAY OF THIS SECOND MEETING OF THE G-18 CONSULTATIVE GROUP BY DISCUSSING THE RELATIONSHIP OF THE GATT GENERALLY, AND THE GATT SECRETARIAT SPECIFICALLY, TO OTHER INTERNATIONAL BODIES THAT HAVE BEGUN TO PLAY A ROLE IN TRADE POLICY. HE REFERRED SPECIFICALLY TO THE AD HOC COMMITTEE PROPOSALS FOR RESTRUCTURING THE UNITED NATIONS, THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION, AND PARTICULARLY TO THE COMMISSIONS ON RAW MATERIALS AND DEVELOPMENT RESPECTIVELY; VARIOUS UN ORGANIZATIONS INCLUDING, OF COURSE, UNCTAD; AND THE MTN. LONG EXPRESSED SOME CONCERN OVER THE PROLIFERATION OF ENTITIES THAT IS EMERGING IN THE AREA OF INTERNATIONAL TRADE, AND ASKED WHAT ROLE GATT SHOULD PLAY IN ALL OF THIS. HE SOUGHT COUNSEL FROM THE G-18 ON HOW HE AND THE SECRETARIAT SHOULD RESPOND TO THESE INSTITUTIONAL CHANGES, AND WITH RESPECT TO WHAT ROLE THE G-18 SEES FOR THE GATT IN FUTURE YEARS.

2. LONG HAD NOT RAISED THIS QUESTION IN THE PRELIMINARY PLANNING SESSION THE PREVIOUS EVENING, SO IT CAME AS A SURPRISE TO THE DELEGATES, AS A CONSEQUENCE, IT PROVOKED RELATIVELY LITTLE INTEREST AND ONLY LIMITED DISCUSSION. IN GENERAL THE DELEGATES SUGGESTED THAT INTERNATIONAL TRADE WOULD CONTINUE TO GROW IN THE FUTURE, REQUIRING AN EVEN MORE IMPORTANT ROLE FOR GATT THAN IN THE PAST. BUT ALL SPEAKERS RECOGNIZED THAT THE GATT MUST BE FLEXIBLE, THAT ITS RULES MUST ADJUST TO THE TIMES, AND THAT INSTITUTIONAL LIMITED OFFICIAL USE

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CHANGE IS INEVITABLE IN TODAY'S WORLD. AMBASSADOR YEUTTER STATED THAT THE U.S. DID NOT EXPECT THE CIEC COMMISSIONS TO DUPLICATE WORK BEING DONE IN OTHER FORA-, AND THAT ONE CANNOT FULLY PREDICT THE EVOLUTION OF ANY OF THESE INTERNATIONAL BODIES. THEREFORE, IT WILL BE NECESSARY FOR THE SECRETARIAT TO EXERCISE JUDGEMENT IN THE KINDS OF RELATIONSHIPS THAT IT DEVELOPS WITH SUCH BODIES. HOWEVER, WE BY NO MEANS EXPECT THE GATT OR

THE GATT SECRETARIAT TO PLAY A PASSIVE ROLE IN THE INTERNATIONAL TRADE ARENA; IN FACT, WE EXPECT THAT IT WILL NEED TO BE MORE DYNAMIC AND VIGOROUS IN THE FUTURE THAN DURING THE PAST TWO DECADES. MOST DELEGATES OFFERED ESSENTIALLY THE SAME RESPONSE IN WHAT WAS NOT AN ESPECIALLY PRODUCTIVE SESSION.

3. ATTENTION THEN TURNED TO THE BRAZILIAN PROPOSAL ON GATT REFORM, WHICH MACIEL DESCRIBED AS NOW BEING AN "LDC PROPOSAL" SINCE IT HAS THE OFFICIAL BLESSING OF THE GROUP OF 77 FROM THE MANILA MEETING, AND THE GROUP OF 19 IN PARIS.

4. MACIEL HAD DELINEATED THE OUTLINES OF THE PROPOSAL AT THE PRELIMINARY PLANNING SESSION (INVOLVING ONLY THE MEMBERS OF THE G-18) THE PREVIOUS EVENING, AT WHICH TIME IT HAD BEEN SHARPLY QUESTIONED AND CRITICIZED BY THE DC REPRESENTATIVES. GALLAGHER (EC) FELT THE PROPOSAL HAD BEEN DESTROYED AT THAT TIME, BUT HE PROVED TO BE COMPLETELY WRONG.

5. EACH TIME MACIEL DISCUSSES THIS ISSUE, IT SEEMS TO EXPAND IN BREADTH AND SCOPE. HIS BASIC REFERENCE IS TO THE WORDING OF THE TOKYO DECLARATION ON "IMPROVEMENT OF THE INTERNATIONAL FRAMEWORK FOR THE CONDUCT OF WORLD TRADE IN LIGHT OF PROGRESS IN THE NEGOTIATIONS." HE INTERPRETS THIS TO MEAN THAT ONE NEED NOT WAIT UNTIL THE END OF THE NEGOTIATIONS TO BEGIN THE GATT REFORM EFFORT. IN OTHER WORDS, GATT REFORM TO MACIEL AND THE LDCS MEANS SOMETHING OTHER THAN BUILDING ON THE RESULTS OF THE MENT. NO ONE QUARRELED WITH THAT, BUT MANY DID QUARREL WITH WHAT HE PROPOSED TO DO, AND HOW AND WHEN HE PROPOSED TO DO IT.

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6. MACIEL SAID THAT THE BASIC OBJECTIVE OF HIS PROPOSAL IS TO OBTAIN AN "OVERALL REVIEW OF THE GATT RULES." THE GATT REFORM GROUP, SHOULD, AS HE VISUALIZES IT, IDENTIFY SHORTCOMINGS IN THE RULES (SOME RULES; NOT NECESSARILY ALL OF THEM) AS THEY APPLY TO THE TRADE RELATIONSHIPS OF DEVELOPED AND DEVELOPING COUNTRIES. THE GROUP SHOULD THEN PROCEED TO NEGOTIATE RULES DESIGNED TO IMPROVE THESE TRADE RELATIONSHIPS. IF THIS CAN BE DONE SUCCESSFULLY, MACIEL WOULD SIMPLY ELIMINATE THE PRESENT PART IV OF THE RULES (WHICH HE CONSIDERS COMPLETELY INADEQUATE), AND REPLACE IT WITH THE NEWLY NEGOTIATED PACKAGE. THE NEW PACKAGE WOULD, HOWEVER, PRESUMABLY REPLACE MANY, IF NOT MOST, OF THE PRESENT GATT ARTICLES, AND WOULD INSTITUTIONALIZE

SPECIAL AND DIFFERENTIAL TREATMENT THROUGHOUT THE
NEWLY NEGOTIATED ARTICLES.

7. HIS PRINCIPAL ARGUMENT FOR ESTABLISHMENT OF THIS
GROUP IN THE MEN IS THAT THE ENVIRONMENT SUBSEQUENT
TO THE MTN PROBABLY WILL NOT BE CONDUCIVE TO THE
NEGOTIATION OF MAJOR CHANGES IN THE GATT ARTICLES.
EVERYONE WILL HAVE A TENDENCY TO RELAX AFTER THE MTN
IS OVER, AND NO ONE WILL BE INTERESTED IN BEGINNING
ANOTHER MAJOR TRADE NEGOTIATING ENDEAVOR. THEREFORE,
IF PROGRESS IN GATT REFORM IS TO BE MADE, IT MUST BE
MADE IN THE MENT. STATED ANOTHER WAY, "LET'S GET IT
WHILE THE GETTING'S GOOD.*"

8. MACIEL STATED THAT THE GROUP SHOULD NOT INTERFERE
WITH THE WORK OF THE OTHER MTN GROUPS AND SUB-GROUPS
AND WOULD NOT RENEGOTIATE THE RESULTS OF THE OTHER

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ACTION EB-07

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GROUPS. NEITHER WOULD IT PUT A STAMP OF APPROVAL OR DISAPPROVAL ON THOSE RESULTS. IT WOULD, HE SAID, SIMPLY "PULL ALL THE PIECES TOGETHER IN A COHERENT WHOLE." EARLIER HE DESCRIBED THIS ELEMENT OF THE PROPOSAL AS AN EFFORT TO "HARMONIZE" THE WORK OF THE VARIOUS GROUPS SO THAT THEY WERE CONSISTENT WITH EACH OTHER, AND CONSTITUTE A SOUND NEGOTIATING PACKAGE. IN THIS REGARD, HE PLACED PRIMARY EMPHASIS ON HAVING LOGICAL AND CONSISTENT WORDING OF THE VARIOUS CODES, BUT HIS REAL VIEW PROBABLY IS NOT THIS RESTRICTIVE.

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9. AMBASSADOR MACIEL ALSO SUGGESTED THAT THIS GROUP SHOULD NEGOTIATE IMPORTANT QUESTIONS THAT ARE NOT BEING TAKEN UP BY THE OTHER NEGOTIATING GROUPS AND SUB-GROUPS. HE SEVERAL TIMES EMPHASIZED HIS DESIRE TO BE PRAGMATIC IN WHAT IS ATTEMPTED.

10. IN TERMS OF TIMING, MACIEL WOULD LIKE TO DISCUSS HIS PROPOSAL AT A TRADE NEGOTIATIONS COMMITTEE MEETING THIS SUMMER. HE BELIEVES THAT PREPARATORY WORK FOR ESTABLISHMENT OF THE GROUP SHOULD BE DONE SUBSEQUENT TO THE TNC MEETING AND THAT THE GROUP MIGHT BE OFFICIALLY ESTABLISHED IN SEPTEMBER OR THEREABOUTS. HE CONTINUED TO DISPLAY FLEXIBILITY ON TIMING, BUT SEEMED DETERMINED TO HAVE THE GROUP ESTABLISHED IN 1976.

11. AMBASSADOR YEUTTER EXPRESSED SERIOUS RESERVATIONS ABOUT THE BRAZILIAN PROPOSAL. HE NOTED THAT ITS SCOPE SEEMED TO GO FAR BEYOND ANYTHING THAT COULD REASONABLY BE NEGOTIATED IN THE PRESENT TIME FRAME OF THE MTN. THERE IS SIMPLY NO WAY THAT A MAJOR REFORM OF THE GATT ARTICLES CAN BE COMPLETED BY THE END OF 1977. THIS MEANS THAT IF A GROUP WERE ESTABLISHED TO UNDERTAKE THE BROAD TASKS OUTLINED AMBASSADOR MACIEL THE MTN WOULD LIKELY HAVE TO BE EXTENDED. YEUTTER POINTED OUT THAT SUCH AN EXTENSION WOULD HARDLY BE IN THE BEST INTEREST OF THE LDCS SINCE IT WOULD UNDOUBTEDLY POSTPONE RECEIPT OF THE BENEFITS OF THE MTN. IF THIS GROUP IS INTENDED TO ACHIEVE SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS OVER AND ABOVE WHAT IS PROVIDED IN THE OTHER MTN NEGOTIATING GROUPS

AND SUB-GROUPS, THE DCS ARE NOT LIKELY TO TERMINATE NEGOTIATIONS IN THE LATTER WITHOUT KNOWING THE OUT-COME OF THE FORMER. IT WOULD APPEAR THAT THE PROPOSAL IS DESIGNED TO GIVE THE LDCS A SECOND HELPING OF THE SPECIAL AND DIFFERENTIAL PIE. IF SO, THE DCS WILL NOT LIKELY OFFER THE FIRST PIECE UNTIL THEY KNOW HOW LARGE A SECOND HELPING IS EXPECTED. YEUTTER SAID THAT THE U.S. WOULD NOT OBJECT TO ESTABLISHMENT OF A GATT REFORM GROUP IN THE MTN AT THE PROPER TIME; THERE ARE REFORM ISSUES OF INTEREST TO US TOO. BUT IF SUCH A LIMITED OFFICIAL USE

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GROUP BE ESTABLISHED, IT SHOULD DEVOTE ITS ATTENTION TO ISSUES THAT CAN BE COMPLETED BY THE END OF 1977, AND THAT ARE COMPLEMENTARY TO THE WORK OF THE OTHER GROUPS AND SUB-GROUPS. YEUTTER ALSO POINTED OUT THAT ESTABLISHMENT OF A GATT REFORM GROUP WITH AN LDC ORIENTATION COULD WELL JEOPARDIZE PROGRESS ELSEWHERE IN THE MENT. HE BRIEFLY DESCRIBED THE PRIVATE SECTOR ADVISORY PROCESS IN THE U.S. AND THE EFFORT THAT HAD ALREADY BEEN EXPENDED TO LAY THE GROUND-WORK FOR PROVIDING SPECIAL AND DIFFERENTIAL TREATMENT IN OTHER PARTS OF THE MEN. THE PRIVATE SECTOR HAS COME A LONG WAY IN UNDERSTANDING THE NEED FOR SPECIAL TREATMENT FOR LDCS IN THE MEN, THOUGH THEY ARE STILL CONCERNED ABOUT THE ECONOMIC IMPACT THAT THIS MAY HAVE ON DOMESTIC INDUSTRIES. THIS UNDERSTANDING ATTITUDE COULD EASILY DISSIPATE IF IT APPEARS THAT ANOTHER MTN GROUPS IS NOW TO EMERGE WITH DEMANDS FOR STILL MORE SPECIAL AND DIFFERENTIAL TREATMENT.

12. GALLAGHER (EC) AND DUNKEL (SWITZERLAND) ALSO ASKED SOME PROBING QUESTIONS. MARTINEZ (ARGENTINA) SUPPORTED THE BRAZILIAN PROPOSAL, BY POINTING OUT THAT IF TRADE REFORM ISSUES ARE NOT DISCUSSED IN THE GATT, I.E., THE MTN, THEY WILL BE DISCUSSED ELSEWHERE. HE SAW NO REASON TO DELAY THE MTN IN ORDER TO TAKE UP SUCH ISSUES, BUT THAT IF THIS PROVED NECESSARY, IT SHOULD MAKE NO DIFFERENCE ON RECEIPT OF THE BENEFITS. IT HAS ALWAYS BEEN THE EXPECTATION OF THE LDCS, ACCORDING TO MARTINEZ, THAT THEY WOULD RECEIVE THE BENEFITS OF INDIVIDUAL NEGOTIATING GROUPS IN THE METN AS THEY BECAME AVAILABLE. IN OTHER WORDS, THERE IS NO NEED FOR ALL OF THE MTN EFFORTS TO CONVERGE IN ONE FINAL PACKAGE ON ONE CERTAIN DAY. PARTS OF THE PACKAGE COULD WELL BE PASSED OUT AT AN EARLIER DATE.

13. ADESOYE (NIGERIA) AND YRJO-KOSHINEN (FINLAND) BOTH EXPRESSED SOMEWHAT OF A GO SLOW APPROACH. GALLAGHER, YEUTTER AND DUNKEL ALL ASKED FOR FURTHER CLARIFICATION

OF THE PROPOSAL AND MACIEL AGREED TO PROVEDE A PAPER
AT AN EARLY DATE.

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14. LONG LATER ASKED THAT THE MACIEL PAPER BE READY
FOR THE NEXT MEETING OF THE G-18. IT WILL BE ON THE
AGENDA AT THAT TIME, ALONG WITH BALANCE OF PAYMENTS
PAPERS TO BE PROVIDDE BY YEUTTER AND MARTINEZ. THE
NEXT MEETING OF THE G-18 WAS SET FOR JUNE 22-23. IF
A TNC MEETING IS TO BE HELD BEFORE THE SUMMER BREAK,
LONG EXPECTS THE DATE TO BE SOMETIME IN JULY. THIS
WILL ALLOW THE G-18 A CHANCE TO DISCUSS THE BRAZILIAN
PROPOSAL PRIOR TO THE TNC.

15. COMMENT: UNLESS BRAZIL SOFTENS PAPER FROM
POSITION ENUNCIATED AT THIS MEETING, WE ARE LIKELY TO
HAVE A MAJOR CONFRONTATION WITH LDCS ON THIS ISSUE BOTH
AT THE G-18 AND AT THE TNC. IT IS INCONCEIVABLE THAT
A PROPOSAL OF THIS MAGNITUDE AND SCOPE CAN BE
BROUGHT TO A SUCCESSFUL NEGOTIATING CONCLUSION IN
THE MTN BY THE END OF 1977. INDEED, WHILE
MEETING WAS MARKED BY GIVE AND TAKE RATHET THAN
CONFRONTATION, A REAL ELEMENT OF NORTH-SOUTH POLARI-
ZATION WAS PRESENT THROUGHOUT DISCUSSION OF BOTH BRAZILIAN PROPOSAL
AND BALANCE OF PAYMENTS
ISSUES.

16. RE BALANCE OF PAYMENTS ISSUE: AMBASSADOR WALKER
OF JAMAICA TOLD YEUTTER IN PRIVATE CONVERSATION THAT
IF U.S. PUSHED BLANCE OF PAYMENTS PROCEDURE TOO HARD,
AND FAILED TO FULLY SATISFY LDC MEMBERS OF THE G-18,
LATTER WOULD SIMPLY KILL PROPOSAL IN THE GATT
COUNCIL. BRUNGART

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